

## Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 05554 01 OF 02 201759Z

43

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 EURE-00 AGR-05 TAR-01

PM-03 DODE-00 /102 W

----- 116371

P R 201514Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 9101

INFO ALL EC CAPITALS 795

AMEMBASSY OTTAWA

AMMBASSY TOKYO 1288

LIMITED OFFICIAL USE SECTION 01 OF 02 EC BRUSSELS 05554

PASS TREASURY FOR PELIKAN AND EXIMBANK FOR MINIKES

E.O. 11652: N/A

TAGS: EFIN, EEC, ETRD

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT--RESULTS OF EC  
WORKING GROUP MEETING

REF: A) EC BRUSSELS 5216 (NOTAL)

B) EC BRUSSELS 4312

C) PELIKAN/WARNE TELECON, JUNE 19

1. SUMMARY: THE EC EXPORT WORKING GROUP IS AT AN IMPASSE  
IN ITS EFFORTS TO OBTAIN FRENCH AGREEMENT TO THE FRG COM-  
PROMISE PROPOSAL. THE FRENCH HAVE SUBMITTED A MUCH WEAKER  
COUNTER-PROPOSAL WHICH THE WORKING GROUP REJECTED. OFFICIALS  
HERE BELIEVE THERE IS LITTLE HOPE OF RESUMING NEGOTIATIONS  
UNLESS THE US IS PREPARED TO CONSIDER  
LIMITING THE MATURITY PERIODS OF EXPORT CREDITS. TWO MEMBER  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 05554 01 OF 02 201759Z

STATE OFFICIALS PLAN TO VISIT WASHINGTON ON JUNE 24-25 TO

ASSESS US VIEWS. END SUMMARY.

2. THE EC WORKING GROUP ON EXPORT CREDITS MET ON JUN 18-19 TO DISCUSS THE FRG COMPROMISE PROPOSAL FOR A GENTLEMEN'S AGREEMENT (SEE REF B). THERE WAS VIRTUALLY NO CHANGE IN MEMBER STATES' POSITIONS FROM THE WORKING GROUP'S PREVIOUS MEETING OF JUNE 5-6 (REF A). EIGHT OF THE EC MEMBER STATES ARE WILLING TO ACCEPT THE FRG PROPOSAL AS A MINIMAL FIRST STEP TOWARDS A BROADER, MORE COMPREHENSIVE AGREEMENT. FRANCE, HOWEVER, REJECTS THIS PROPOSAL.

3. FRANCE SUBMITTED ITS OWN DRAFT COUNTER-PROPOSAL, THE TEXT OF WHICH IS INCLUDED IN PARAGRAPH 8 BELOW. THE GOF WANTS TO LIMIT THE MAXIMUM MATURITY PERIOD TO 12 YEARS AND TO LOWER THE MINIMUM INTEREST RATE TO 7 PERCENT FOR EXPORT CREDITS WITH A MATURITIES BETWEEN 2-5 YEARS. FOR CREDITS WITH MATURITIES OVER 5 YEARS, FRANCE PROPOSES SETTING A MINIMUM INTEREST RATE OF 8.25 PERCENT, NET OF CREDIT INSURANCE, FOR WEALTHY COUNTRIES AND 7.75 PERCENT FOR OTHER COUNTRIES. FRANCE ALSO SUGGESTS REQUIRING PARTICIPANTS TO CONSULT ON "MIXED CREDITS" WHICH HAVE A GRANT ELEMENT OF LESS THAN 15 PERCENT. IT SUGGESTS THAT THESE LIMITS SHOULD BE "DESIRABLE OBJECTIVES".

4. THE EC WORKING GROUP REJECTED THE FRENCH PROPOSAL AS BEING ENTIRELY INADEQUATE. EIGHT MEMBER STATES WERE REPORTEDLY UNITED IN INSISTING THAT THE FRG PROPOSAL WAS THE MINIMAL ACCEPTABLE PACKAGE. THE FRENCH, NEVERTHELESS, SAID THAT THEY WOULD SUBMIT THEIR COUNTER-PROPOSAL TO THE US AND JAPANESE MISSIONS AT THE OECD. THUS, DESPITE THE NINE'S PREVIOUS EFFORTS TO MAINTAIN THE APPEARANCE OF A UNITED FRONT IN THESE NEGOTIATIONS, THE FRENCH HAVE NOW DECIDED TO TAKE AN INDEPENDENT POSITION. EC COUNCIL SECRETARIAT OFFICIALS EXPECT THE FRENCH TO POLISH THEIR DRAFT PROPOSAL; CONSEQUENTLY, THERE MAY BE SOME CHANGES IN THE FINAL TEXT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 05554 01 OF 02 201759Z

5. THIS IS NOW AT A VIRTUAL IMPASSE. DESPITE SOME HIGH LEVEL POLITICAL PRESSURE, THE FRENCH HAVE REFUSED TO BUDGE IN THEIR REJECTION OF THE FRG PROPOSAL. FOR BOTH ECONOMIC AND POLITICAL REASONS THE EIGHT MEMBER STATES ARE UNWILLING TO ENTER INTO AN AGREEMENT WITHOUT FRANCE. PARTICIPANTS IN ANY AGREEMENT WITHOUT FRANCE WOULD FREQUENTLY HAVE TO MATCH SOFTER FRENCH CREDIT TERMS WHICH WOULD SEVERELY ERODE AN

AGREEMENT'S EFFECTIVENESS. IN ADDITION, SOME MEMBER STATES' INDUSTRIES, SUCH AS BELGIUM'S, OFTEN PARTICIPATE WITH FRENCH MANUFACTURERS IN EXPORT CONTRACTS. EXCLUDING FRANCE WOULD MAKE IT DIFFICULT TO CONTINUE THIS TYPE OF JOINT ACTIVITY. THE POLITICAL CONSEQUENCES ALSO MAKE THE EIGHT RELUCTANT TO LEAVE FRANCE OUT. THE COMMUNITY WANTS TO AVOID ANY OPEN BREAK WITH FRANCE OR PUBLIC RECRIMINATION. OFFICIALS HERE EMPHASIZE THE COMMUNITY'S DESIRE TO MAINTAIN ITS UNITY ON SUCH ISSUES.

6. COUNCIL SECRETARIAT AND COMMISSION OFFICIALS BELIEVE THAT ONE POSSIBLE WAY OUT OF THIS IMPASSE IS FOR THE US TO MAKE A NEW PROPOSAL ON MATURITY PERIODS. AS A MAXIMUM THEY WOULD LIKE TO LIMIT THE MATURITY PERIOD TO 12 YEARS FOR ALL TYPES OF PROJECTS, AND AS A MINIMUM TO OBTAIN A CLEAR AND NARROWLY DEFINED US STATEMENT AS TO WHAT CONSTITUTES AN EXCEPTION FOR EXTRAORDINARY REASONS NATIONAL INTEREST. SHOULD THE US CLARIFY ITS POSITION IN THIS AREA, COMMISSION OFFICIALS BELIEVE THAT THEN SEVERAL MEMBER STATES WOULD BE WILLING TO APPLY THE NECESSARY PRESSURE AT THE HIGHEST LEVELS OF THE FRENCH GOVERNMENT TO BRING THE CURRENT IMPASSE. COMMENT: THE COMMISSION'S JUDGMENT ON THIS POINT MAY NOT BE ACCURATE. IT WOULD BE WISE TO TAKE SOUNDINGS WITH KEY MEMBER STATES GOVERNMENTS TO CORROBORATE THIS POINT OF VIEW. THE FIRST STEP IN THIS WOULD BE TO ASK THE OPINION OF EC OFFICIALS WHO ARE PLANNING TO VISIT WASHINGTON. NO COMMENT.

7. THE OUTGOING CHAIRMAN OF THE EC WORKING GROUP, JAMES LOWE OF THE IRISH DEPARTMENT OF INDUSTRY AND COMMERCE, AND DEREK SMITH, UNDER SECRETARY OF THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 05554 01 OF 02 201759Z

UK EXPORT CREDITS GUARANTEE DEPARTMENT, PLAN TO MEET WITH US OFFICIALS IN WASHINGTON ON JUNE 24-25. LOWE AND SMITH ARE NOT AUTHORIZED TO SPEAK FOR THE EC. THE WORKING GROUP, HOWEVER, IS AWARE OF THEIR INTENTIONS TO SOUND OUT THE US POSITION ON THE ITEMS CITED IN PARA 3, REF A. THEY WILL FOCUS ON THE US POSITION ON LIMITING THE MATURITY PERIOD OF EXPORT CREDITS. SHOULD THIS VISIT RESULT IN NEW DEVELOPMENTS, THE WORKING GROUP IS PREPARED TO HOLD A SPECIAL MEETING TO CONSIDER THE NEXT STEP TOWARD RESUMING NEGOTIATIONS. COMMISSION OFFICIALS ARE NOT AWARE OF ANY EC PLANS TO MEET BILATERALLY WITH THE JAPANESE AT THIS TIME.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 EC BRU 05554 02 OF 02 201849Z

43

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 EURE-00 AGR-05 TAR-01

PM-03 DODE-00 /102 W

----- 117066

P R 201514Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 9102

INFO ALL EC CAPITALS 796

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 02 OF 02 C BRUSSELS 05554

PASS TREASURY FOR PELIKAN AND EXIMBANK FOR MINIKES

8. THE MISSION HAS OBTAINED ON A CONFIDENTIAL BASIS  
A COPY OF THE DRAFT FRENCH COUNTER-PROPOSAL FOR AN  
EXPORT CREDIT "AGREEMENT". THIS PROPOSAL SHOULD BE  
FOR OFFICIAL USE ONLY. BEGIN TEXT:

SUGGESTION OF THE FRENCH DELEGATION

DECLARATION ON EXPORT CREDIT

THE GOVERNMENTS OF ..... RECOGNIZE AS A  
DESIRABLE OBJECTIVE THAT NATIONAL PRACTICES IN THE  
FIELD OF EXPORT CREDITS AND EXPORT LEASING BENEFITING FROM  
OFFICIAL SUPPORT, SHOULD NOT BE ALLOWED TO DETERIORATE  
AND THAT THEY SHOULD BE COORDINATED WITH A VIEW TO  
COMPLYING WITH THE NORMS SHOWN BELOW IN 1 AND 2.  
THEY DECLARE THAT THEY WILL UNDERTAKE TO OBSERVE  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 05554 02 OF 02 201849Z

IMMEDIATELY THE NORMS SHOWN IN 2 AND TO MAKE VERY  
EFFORT TO DO THE SAME FOR THE NORMS SHOWN IN 1.

GQM CONDITIONS OF EXPORT CREDITS OF OVER 5 YEARS  
(EXCEPT FOR EQUIPMENT SUCH AS SHIPS, GROUND STATIONS FOR  
TELECOMMUNICATIONS SATELLITES, CIVIL AIRCRAFT AND  
HELICOPTERS AND NUCLEAR POWER STATIONS).

BUYER COUNTRY OF WHICH PER CAPITA GNP IS:

| MORE THAN | BETWEEN    | LESS THEN |
|-----------|------------|-----------|
| \$3000    | \$1000 AND | \$1000    |
| \$3000    |            |           |

--MAXIMUM LENGTHS

OF CREDIT: 5 YRS. 8 1/2 YRS. 10 YRS.

-- MINIMUM INTEREST

RATE ALTERNATIVELY(1)

EITHER (A) RATE

INCLUDING CREDIT

INSURANC CHARGES

INCLUDING CASES WHERE

THESE TAKE THE FORM OF

A SUPPLEMENT TO THE

|               |         |           |           |
|---------------|---------|-----------|-----------|
| INTEREST RATE | 8.50    | 8 PERCENT | 8 PERCENT |
|               | PERCENT |           |           |

OR (B) RATE NT OF

ALL CREDIT INSURANCE

|            |         |        |         |
|------------|---------|--------|---------|
| CHARGES(2) | 8.25    | 7.75   | 7.75    |
|            | PERCENT | PRCENT | PERCENT |

-- MINIMUM DOWNPAY-

|       |         |            |            |
|-------|---------|------------|------------|
| MENTS | 20      | 15 PERCENT | 15 PERCENT |
|       | PERCENT |            |            |

DEROGATION FROM THE ABOVE NORMS MAY TAKE PLACE ONLY  
AFTER PRIOR CONSULTATION OF THE PARTNERS IN PRINCIPLE  
AT LEAST 7 DAYS BEFORE THE FINAL DECISION.

2. DISTINCTION BETWEEN COMMERCIAL CREDITS AND  
AID CREDITS.

COMMERCIAL EXPORT CREDITS CANNOT UNDER ANY  
CIRCUMSTANCES -- FOR THE EQUIPMENT COVERED BY THIS  
DECLARATION -- BE GRANTED WITH TERMS SOFTER THAN A  
MAXIMUM LENGTH OF CREDIT OF 12 YEARS, EVEN FOR  
VERY LARGE PROJECTS, OR A MINIMUM INTEREST RATE  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 05554 02 OF 02 201849Z

NET OF CREDIT INSURANCE CHARGES OF 7 PERCENT,  
EVEN FOR CREDITS OF 2 TO 5 YEARS, IT BEING  
UNDERSTOOD THAT THE 2 ABOVE-MENTIONED ADVANTAGES  
CANNOT BE COMBIND.

ANY AID CREDIT WITH A "GRANT" ELEMENT  
OF LESS THAN 15 PERCENT OF THE VALUE OF THE  
EXPORTED GOODS AND SERVICES SHALL BE SUBJECT TO  
PRIOR CONSULTATION OF THE PARTNERS IN PRINCIPLE  
AT LEAST 7 DAYS BEFORE THE FINAL DECISION.

3. GENERAL PROVISIONS

-- THIS DECLARATION ONLY APPLIES TO NEW  
BUSINESS WITHOUT PREJUDICE TO PREVIOUS  
UNDERTAKINGS.  
-- ANY GOVERNMENT MAY WITHDRAW IT (SIC) WITH PRIOR  
NOTIFICATION OF ONE MONTH.  
-- THE TECHNICAL CONCEPTS AND THE MEASURES FOR  
IMPLEMENTATION OF THIS DECLARATION SHALL BE  
DEFINED IN THE ANNEXES DRAWN UP BY COMMON  
AGREEMENT.

FOOTNOTES:

(1) IT IS UNDERSTOOD THAT EACH GOVERNMENT WILL  
INDICATE WHEN SUBSCRIBING TO THE DECLARATION  
WHETHER IT OPTS FOR THE FORMULA (A) OR (B).  
(2) IT IS, HOWEVER, UNDERSTOOD THAT IN THIS  
CASE THE RATE NET OF ALL CREDIT INSURANCE CHARGES  
FOR CREDITS OF OVER 5 YEARS SHALL BE AT LEAST  
7.5 PERCENT FOR TRANSACTIONS WITH BUYER COUNTRIES  
WHOSE PER CAPITA GNP IS \$3,000 OR LESS AND AT  
LEAST 8 PERCENT FOR TRANSACTIONS WITH BUYER  
COUNTRIES WHOSE PERCAPITA GNP IS MORE THAN  
\$3,000. END TEXT.

9. COMMENT: EC OFFICIALS ARE  
BITTER OVER THE FRENCH POSITION. THEY NOTE  
THAT AFTER MORE THAN A YEAR OF NEGOTIATIONS,  
FRANCE IS ADOPTING A NEW AND SUBSTANTIALLY WEAKER  
POSITION THAN WHAT THE EC EARLIER HAD AGREED TO.  
THE LAST TWO WORKING GROUP SESSIONS HAVE BEEN STORMY  
ONES. THE FRG AND UK HAVE BEEN PARTICULARLY  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 05554 02 OF 02 201849Z

CRITICAL OF THE FRENCH MANEUVERING. NEVERTHELESS,  
THE EIGHT DO NOT APPEAR TO BE WILLING TO APPLY THE  
NECESSARY POLITICAL PRESSURE TO BREAK THE DEADLOCK.  
CONSEQUENTLY, MUCH OF THE MOMENTUM HAS GONE OUT OF  
THE NEGOTIATIONS AND OFFICIALS HERE DO NOT EXPECT  
TO HOLD ANOTHER NEGOTIATING SESSION IN THE FORESEEABLE  
FUTURE UNLESS THE US COMES UP WITH A NEW PROPOSAL.

10. FROM THIS VANTAGE POINT, IT IS DIFFICULT TO  
ASSESS FRENCH INTENTIONS. ITS DRAFT COUNTER-  
PROPOSAL IS CLEARLY MUCH WEAKER THAN ANY SUGGESTION

PREVIOUSLY DISCUSSED. IT MAY BE A NEGOTIATING TACTIC  
TO OBTAIN A FIRM LIMIT ON MATURITY PERIODS, OR  
THE PROPOSED MINIMUM INTEREST RATES MAY REFLECT THE  
GOF'S POSITION. INTEREST RATES HAVE FALLEN  
SHARPLY. THE FRENCH, WE ARE TOLD, ARE NOW CHARGING  
RATES RANGING FROM 6.20 TO 6.75 PERCENT FOR OFFICIAL  
EXPORT CREDITS WITH A MATURITY PERIOD OF  
2-5 YEARS. END COMMENT. GREENWALD

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, EXPORTS, CREDIT, POLICIES, NEGOTIATIONS, COMMITTEES, PROGRESS REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ECBRU05554  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750216-0006  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750627/aaaaaydc.tel  
**Line Count:** 339  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 EC BRUSSELS 5216  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 APR 2003 by ElyME>; APPROVED <26 SEP 2003 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EXPORT CREDIT GENTLEMEN'S AGREEMENT--RESULTS OF EC WORKING GROUP MEETING  
**TAGS:** EFIN, ETRD, FR, FW, US, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006